

2013 Property Tax Reform

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County Auditors Fall ISAC
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**Be direct, one can
usually accomplish
more that way.**



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2013 Property Tax Reform

Highlights:

- Overview
 - Business Property Tax Credit
 - Replacement Claims
 - Telecommunications
 - Multi-residential
- Rules
- Testing & Process



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426C Business Property Tax Credit

Credit Against Tax

- 2013 Assessment 1st year
 - January 15, 2014 applications due
 - A person may apply
 - Subsequent years: due date March 15th fiscal year for prior year assessment
 - March 15th 2015 deadline for taxes payable 2015/2016
 - Reapplication requires the owner to reapply
- Process similar to homestead
 - Reapplication required if transfer or change before the application deadline
 - If transfer after the deadline, credit continues and reapplication applies for the following year



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426C Business Property Tax Credit

Credit Against Tax

- Based on C/I, RR property *units*
- Statewide calculation
 - Qualifying units & applicable valuations
 - Associated consolidated rates
 - Associated average consolidated rates
- Determination of what assessed value per unit (or actual value if less) spends 98% of fund balance



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426C.2 Business Property Tax Credit

TERMS: **A1 or A2 times B = C**
 C times D = Credit

A1 (J) - “Initial” Amount (amount of valuation per unit that spends 98% of fund) OR

A2 (B) - 100% DOM Assessed Value of unit

B (I) - Multiplier (difference in rollbacks)

C (L) - Amount used to calculate the credit/1000 *

D (F) - Average Consolidated Levy Rate (for the unit)



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426C.1 & 426C.4 Business Property Tax Credit

Qualifications

- Classed commercial, industrial or railroad
- *Excludes:*
 - *Section 42 housing*
 - *Mobile home parks*
 - *Manufactured home communities*
 - *Land-leased community*
 - *Assisted living facilities*
 - *Anything Defined in new 441.21, Subsection 13: property **primarily** used or intended for human habitation containing three or more separate dwelling units.*



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426C.1 & 426C.4 Business Property Tax Credit

Unit is:

- Within the same county
- Same classification
- Same ownership
- Separate item on tax list
- Operated by that “person” for common use and purpose
- That maybe contiguous parcels:
 - share common boundary
 - within same building or structure, regardless of boundary
 - BLL’s are contiguous as long as the land upon which they sit is contiguous regardless of the land ownership



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426C.1 & 426C.4 Business Property Tax Credit

- Application process
 - Submitted to assessor
- Assessor recommends approval to Auditor
 - Written disallowance by the assessor is required if unit does not qualify
 - If disallowed appeal is to District Court 426C.6
- Auditor submits final listing to County Supervisors for final approval
- If ownership changes, splits, combines reapplication by the owner required or if ceases to qualify owner to notify assessor



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426C2 Business Property Tax Credit

- Auditor Data File submission to IDR June 30th
 - Data Elements with BPTC Unit ID#'s
- IDR file review and calculations for credit for each parcel
 - 2 weeks June 30th to July 15th
- July 15th IDR return file with calculated credits to Auditor
 - Impact on production of statements
- 426C.5 Tax statements require credit to indicate paid from the fund



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426C.2 & 426C.5 Business Property Tax Credit

100% State funded:

- FY 2014/15: \$50 Million
- FY 2015/16: \$100 Million
- FY 2016/17: \$125 Million
- Capped at: \$125 Million

Payment to Counties

- November 15th and March 15th each FY
- Treasurer allocates to taxing districts



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441.21A Replacement Claims

Only For Commercial & Industrial Classes

- Payment from State for “replacing the lost tax revenues as a result of the Commercial & Industrial rollback
- 95% rollback or assessment limitation
- 90% rollback or assessment limitation

How much?

- Appropriation covers all claims for FY 2014/2015
- Appropriation covers all claims capped at total amount for FY 2016/2017
- Not subject to uniform reduction
- Prorated if claims exceed FY 2016/2017 appropriation

When?

- Claims paid in September and March of each fiscal year



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441.21A Replacement Claims

Process:

- Auditor prepares statement for claim amount.
 - Submits to IDR in August
 - By taxing district
- Portion of replacement claims considered property tax for school foundation payments



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441.21 Property Assessment Limitations

Allowable Growth - Residential & Agricultural

- Reduced from 4% to 3%
- Continue to be tied together

Commercial, Industrial, Railroad Rollback or Assessment Limitation

- 95% 2013 Assessment Rollback
- 90% 2014 Assessment Rollback



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433.4 Telecommunications Exemption

2013 Assessment

- 0-20M value = 20%
- 20M-55M value = 17.5%
- 55M - 500 value = 12.5%
- >500M value = 10%

2014 Assessment

- 0-20M value = 40%
- 20M-55M value = 35%
- 55M - 500 value = 25%
- >500M value = 20%



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433.4 Telecommunications Exemption

Certification Includes

- Assessed value
- Exempted amount by company for each county
- Number of line miles
- Rate per line mile
- Exemption per line mile
- Net taxable value per line mile
- Net taxable rate per line mile



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441.21 Subdivision 13

Multi-Residential Classification

Beginning 2015 Assessment New Class

- Includes:
 - mobile home parks
 - manufactured home communities
 - land-leased communities
 - assisted living facilities
 - property primarily used or intended for human habitation containing three or more separate dwelling units
- Portions of properties less than three units used or intended to be used for human habitation (and a portion of the land) regardless of the number of units and that is not otherwise classed residential



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441.21 Subdivision 13

Multi-Residential Classification

Beginning 2015 Assessment New Class

- Excludes:
 - Section 42 housing
 - Hotels
 - Motels
 - Inns
 - Other buildings where rooms or dwelling units are typically rented for less than one month



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Multi-Residential

Rollbacks

- 2015 Assessment 86.25%
- 2016 Assessment 82.5%
- 2017 Assessment 78.75%
- 2018 Assessment 75%
- 2019 Assessment 71.25%
- 2020 Assessment 67.5%
- 2021 Assessment 63.75%
- 2022 Assessment = residential rollback



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State Payments

- Business property tax credit 100%
- Rollback on commercial & industrial
1st year 100% Replacement Claim
- Rollback on commercial & industrial
2nd year 100% Replacement Claim
- Rollback on commercial & industrial
capped at 3rd year amount
Replacement Claim

**** Allowable Growth limited to
3% for residential and
agricultural**

Local Dollars

- Rollback on railroad 100%
- Exemption for telecommunications
- Rollback for Multi-residential
- Rollback on commercial & industrial
after 3rd year > than replacement
claim in year 3

Summary

Business Property Tax Credit

- ***November 19th rules for ISAC working group review***
- If filed Nov. 6***
- 1st noticed Nov. 27
- Hearing deadline Dec. 17
- 1st possible adoption Jan. 1 2014
- Adopted filing deadline Jan. 3 2014
- Adopted published date Jan. 22 2014
- First possible effective date Feb. 26 2014

Multi-residential

- Rules have not been drafted yet
- Continue to work with legal staff

Rules Process

Process & Testing

Assessor Unit File Submission:

24 county UAT November 1st – 15th changed to week of November 18th

99 county Live UAT November 15th – changed to week of December 2nd

Final file submission deadline January 24, 2014

“Responsible Party” File Retrieval

January 29th, 2014

includes BPTC Unit ID #

County-Year-Unit ID# - # of parcels – parcel sequence

Example: 77-2013-01000-0002-0001

77-2013-01000-0002-0002

Begin Testing Data Elements and Calculations February 4th, 2014



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Process

“Responsible Party”

- Retrieves data file with IDR generated Unit ID numbers
 - Import file
- Testing of file retrievals and submissions
 - February 4, 2014 through April 1, 2014
 - June 1, 2014 Live
- June 30, 2014 Final File to IDR
- July 15, 2014 Final Credit File to Counties
- August Auditors submit Replacement Claim file to IDR
- September & March Replacement Claim payment
- November 15 & March 15 Payments for BPTC Credit

**Life is not about how fast
you run, or how high you
climb, but how well you
bounce.**



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Questions?

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